

SOP for CHDO Certification/Recertification

Community Housing Development Organizations (CHDOs) are recertified annually by the City of Evansville. Recertification is triggered by a letter (template attached) sent by Community Development Staff at the beginning of each New Year. Attached to the letter are two forms that must be completed; the Application for CHDO Recertification (template attached) and the Affidavit of Standards for Financial Management Systems (template attached). A current board roster, including their board designation as listed in the HUD regulations below, must also be listed and be included with the application. If there has been a change in By-Laws or Articles of Incorporation for the CHDO's board, the amended By-Laws and Articles of Incorporation must also be included.

The Application for CHDO Recertification including all other attachments and forms listed above, are reviewed by Community Development Staff to determine eligibility. Upon determination of eligibility, a second letter is mailed to the CHDO stating their recertification status. A template of this letter is also attached.

The letter confirming the recertification of the CHDO will be kept on file with the Department of Metropolitan Development and a copy must also be kept in the CHDO's files. This confirmation of recertification must accompany any and all CHDO Operating, CHDO Program, and CHDO Set-Aside Project contracts.

- For a first time Certification, the same stipulations apply, however the By-Laws and Articles of Incorporation **must** be included. Application for CHDO certification can be made at any time throughout the year for new organizations applying.

CHDO Certification Requirements:

Legal Status

The legal status of an organization is the first characteristic examined to determine if it is eligible to become a certified CHDO. There are five legal status requirements that an organization must meet to be certified as a CHDO by a PJ. These are:

1. **Organized Under State/Local Law.** Organizations must show evidence to the PJ, either in their charter or articles of incorporation, that they are organized under state or local law.
2. **Purpose of Organization.** Among its purposes, the organization must have the provision of decent housing that is affordable to low and moderate income people. This must be evidenced by a statement in the organization's charter, articles of incorporation, by-laws, or resolutions.
3. **No Individual Benefit.** No part of a CHDO's net earnings (profits) may benefit any members, founders, contributors, or individuals. This requirement must also be evidenced in the organization's charter or articles of incorporation.

4. **Clearly Defined Service Area.** The organization must have a clearly defined geographic service area which can be described and documented for the PJ.

CHDOs may serve individual neighborhoods or large areas. However, while the organization may include an entire community in their service area (such as a city, town, village, county, or multi county area), they **may not** include the entire state.

5. **Nonprofit Status.** The organization must have a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986. The ruling must be evidenced by a 501(c) certificate from the IRS.

Organizational Structure

The HOME Program establishes requirements for the organizational structure of a CHDO to ensure that the governing body of the organization is controlled by the community it serves. These requirements are designed to ensure that the CHDO is capable of decisions and actions that address the community's needs without undue influence from external agendas.

There are four specific requirements related to the organization's board which must be evidenced in the organization's by-laws, charter, or articles of incorporation. These are:

1. **At least** 1/3 of the organization's board must be representatives of the low-income community served by the CHDO.
2. **No more than** 1/3 of the organization's board may be representatives of the public sector, including any employees of the PJ.
3. If a CHDO is sponsored by a for-profit entity, the for-profit may not appoint more than 1/3 of the board. The board members appointed by the for-profit may not appoint the remaining 2/3 of the board members.
4. States or local governments who charter CHDOs may not appoint more than 1/3 of the board, and the board members appointed by the state or local government may not appoint the remaining 2/3 of the board members.

Experience, Capacity and Financial Accountability

To be certified as a CHDO, the HOME Program requires organizations to demonstrate sufficient: **Experience**, **Capacity** and **Financial Accountability**.

Experience

CHDOs must demonstrate a history of serving the community where the housing to be assisted with HOME funds will be located.

Types of experience required

HUD requires that organizations show a history of serving the community by providing:

- ▶ A statement that documents at least one year of experience serving the community.

- ▶ For newly created organizations formed by churches, service or community organizations, providing a statement that the parent organization has at least one year experience serving the community.

Example of CHDO experience

The United Way of Hometown creates a new nonprofit corporation to develop single-family homes for homebuyers. Although the nonprofit is new, the United Way of Hometown was chartered 50 years ago and has considerable low-income community experience. By sponsoring the creation of the new nonprofit, the United Way has fulfilled this requirement.

Capacity

CHDOs must demonstrate the capacity of key staff to carry out the HOME-assisted activities they are planning.

Types of capacity required

CHDOs must demonstrate that their staff has the relevant experience necessary to perform the HOME-assisted activities they are planning. CHDOs must have either:

- ▶ Resumes and/or statements of key staff members that describe their experience of successfully completed projects similar to those proposed.

OR

- ▶ A plan in place for experienced consultants to help plan and develop proposed projects as well as train key staff.

Example of CHDO capacity

The Cranberry Orchard Neighborhood Development Organization (CONDO) has successfully developed more than 100 units of housing for homebuyers by acquiring, rehabilitating and selling existing single-family homes. CONDO plans to use a similar stock of single-family homes for a scattered-site, 30-unit rental housing development project that it will own and manage. This is CONDO's first experience in rental housing development. To demonstrate key staff capacity to carry out the HOME-assisted activity that they are proposing, CONDO will retain a consultant who will develop a training plan and assist CONDO's key staff during the development of their first rental housing project on development issues specifically related to rental housing.

Financial Accountability

CHDOs must have financial accountability standards that conform to the requirements detailed in 24 CFR 82.21, "Standards for Financial Management Systems."

Financial Accountability Requirements

- ▶ Providing a notarized statement by the president or chief financial officer of the organization.
- ▶ Furnishing a certification from a certified public accountant.

OR

- ▶ Supplying HUD with an approved audit summary.

Example of CHDO Financial Accountability

The Growville Housing Corporation (GHC), a nonprofit organization, has been in existence for years. They sell rehabilitated homes to first-time homebuyers who are low-income. GHC is applying to be a CHDO. In the past, the majority of their funds have come from private donations. However, with housing material costs rising, GHC is looking for additional sources of funds. By becoming a CHDO, they will be able to receive HOME funds to do eligible projects. To meet the financial accountability requirement of becoming a CHDO, GHC will have its accountant submit a certification to the local PJ which states its accounting systems meet the financial standards of 24 CFR 84.21.